



USAID
FROM THE AMERICAN PEOPLE

REVIEW BY THE U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT (USAID)
OF ASSISTANCE PROJECTS CONSIDERED BY
MULTILATERAL DEVELOPMENT BANKS

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Introduction

Title XIII of the *International Financial Institutions Act*¹ directs the U.S. Government (USG) to strengthen the environmental and social performance of each multilateral development bank (MDB) in which the United States is a shareholder.² Toward this end, the U.S. Agency for International Development (USAID) leads pre- and post-approval³ reviews of selected MDB projects.⁴

The purpose of these reviews is to provide recommendations for improving the environmental and social performance of MDB projects. Additional purposes of post-approval reviews are to assess the adequacy of safeguard policies, and to evaluate the incorporation and effectiveness of any previous USG recommendations.

USAID's pre- and post-approval reviews are distinct from, but related to, the USG loan reviews and other Congressionally mandated MDB oversight functions led by the U.S. Department of the Treasury. If the information is not classified, USAID publishes the resulting reports on its external website⁵ and distributes them to stakeholders. USAID translates the executive summaries of, its reports, on MDB projects into an appropriate local language.

Title XIII further directs USAID to report semi-annually to Congress on its reviews of MDB projects. This report covers the six-month period from March to August 2018.

In the time period covered by this report, USAID reviewed projects in the Republics of Indonesia, and Uganda, and in Burma. USAID is considering six projects for review in the future.

Review Process

USAID conducts field reviews on a subset of MDB projects that are “particularly likely” to have “substantial” adverse impacts on the environment, natural resources, public health,

¹ Title XIII of the *International Financial Institutions Act*, Sections 1301-1307:
https://www.usaid.gov/our_work/environment/compliance/title13.

² This includes the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and the World Bank Group.

³ Approval refers to approval of financing by a board of Executive Directors at an MDB. USAID conducts pre-approval reviews any time prior to the vote, by an MDB's Board, and post-approval reviews any time after approval by an MDB Board.

⁴ Projects can include any type of MDB investment (e.g., project loans, technical assistance, development policy loans, risk or loan guarantees, and grants), and all phases of the investment cycle, from identification to closure.

⁵ USAID's repository of public reports is available at <https://ecd.usaid.gov/mdb.php>.

or indigenous peoples.⁶ USAID selects MDB projects for field review following consultation with its Washington Bureaus and Field Missions, the Offices of the U.S. Executive Director to the MDBs, the U.S. Department of the Treasury, the U.S. Department of State, the U.S. Environmental Protection Agency, other Federal Agencies and Departments, civil-society organizations, researchers, and the MDBs themselves.

Generally, USAID collects information from, and frames its analysis by using, the following:

- Relevant U.S. legislation;
- Any previous USG recommendations on a particular project or safeguard;
- MDB safeguard policies and guidance;
- Publicly disclosed MDB project documents;
- International standards for best practices;
- Reports by civil society, academic institutions, and others;
- Site observations;
- Meetings with stakeholders and experts; and, especially,
- Meetings with project-affected people.

Reviews may cover any aspect of environmental and social impact assessment and management:

- Screening;
- Scoping;
- The definition of the project area;
- Capacity of the borrower(s);
- Analysis of alternatives;
- Baseline data;
- Direct, indirect, and cumulative impacts; and
- Impacts from associated facilities.

Reviews often focus particularly on environmental and social issues formally raised to MDBs by the USG through policy reviews or other processes. Unless specified, USAID's findings and recommendations illuminate specific cases, and are not generalizable; they frequently highlight good practice or areas for improvement.

⁶ Title XIII of the *International Financial Institutions Act*, Sections 1303(a)(3): https://www.usaid.gov/our_work/environment/compliance/title13.

Annex I – Current and Recent Reviews

I. Republic of Indonesia – *Rantau Dedap* Geothermal Power Project (ADB)

In April 2018, USAID publicly disclosed a report on a pre-approval review of the proposed *Rantau Dedap* geothermal project. USAID selected the 92-megawatt (MW), \$173.5 million ADB investment based on the possible adverse impacts on critical habitat from fragmentation and edge effects because of project-associated roads, transmission lines, and water pipelines. USAID visited Sumatra in July 2017 as part of the review.



The Government of Indonesia has proposed at least 30 geothermal-energy projects, 18 of which are planned for the island of Sumatra. The majority of these projects are located in proximity to the Tropical Rainforest Heritage of Sumatra (declared a World Heritage Site by the United Nations Educational, Scientific, and Cultural Organization (UNESCO)), which includes three National Parks. The U.S. Government, through the *Tropical Forest Conservation Act*, has invested more than \$16 million in conservation activities over the past eight years in Sumatra, including in this landscape, in addition to resources invested by the U.S. Fish and Wildlife Service of the U.S. Department of the Interior and the USAID Mission in Jakarta.

Although it was not possible during the time the USAID team was in Indonesia to visit the *Rantau Dedap* site, the team was able to travel to areas that are representative of the biodiversity challenges associated with geothermal development in Sumatra, including the *Gunung Leuser* National Park and surrounding area and forests south of *Kerinci Seblat* National Park. The review included meetings with PT Supreme Energy (the project’s sponsor), the World Bank, researchers, and conservation and civil-society organizations. USAID based its findings and recommendations on field observations; discussions; and environmental documentation available at the time of the site visit, or shortly afterward.

Findings and Recommendations

Finding 1: Data and analysis presented in the *Rantau Dedap* geothermal project’s environmental and social impact-assessment (ESIA), specifically on terrestrial fauna observed in the project area, are not adequate to directly measure future: a) adverse

impacts, or the likelihood of such, on critical habitat; b) any possible reduction in the population of endangered or critically endangered species; or c) loss of habitat that could compromise the persistence of a viable and representative host ecosystem.

Project-Specific Recommendations:

- a. Work with experts on specific endangered species to support the project’s ongoing work to collect additional data; data collected would ideally include information on the abundance, distribution, habitat use and other measures of viability for each endangered and critically endangered species, to assess the potential impacts and effective mitigation measures to ensure compliance with the ADB’s safeguard policy for supporting projects in critical habitats;
- b. Develop and implement species-specific conservation plans with expert input for each endangered and critically endangered species; and
- c. Work with experts on specific endangered species to develop and implement anti-poaching measures with appropriate indicators to measure effectiveness within the project area, along forest edges, and in the proposed biodiversity offset.

General Recommendations:

- a. The ADB should consider classifying projects with impacts on areas of high biodiversity value (e.g., with species on the IUCN Red List likely to be present) as Category A⁷, rather than Category B, so that the collection of baseline data on biodiversity and the analysis of possible impact are robust. With any categorization, ensure the baseline data are robust with respect to endangered species and critically endangered species and other important biodiversity values.

Finding 2: The biodiversity baseline data and analysis are not adequate to measure directly whether the proposed management and rehabilitation actions in the *Bukit Jambul Gunung Patah* Protection Forest will ensure no reduction in the population of any recognized endangered or critically endangered species and achieve at least no net loss of biodiversity.

Project-Specific Recommendations:

⁷ “Category A” means a proposed project is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts can affect an area larger than the sites or facilities subject to physical works. An environmental and social impact-assessment, including an environmental-management plan (EMP), is required. “Category B” means the proposed project’s potential adverse environmental impacts are site-specific; few if any of them are irreversible; and, in most cases, mitigation measures can be designed more readily than for Category A projects. An initial environmental examination (IEE), including an EMP, is required.

- a. Collect additional data (as discussed in Finding and Recommendation 1) to gain a better understanding of 1) The use of habitat by each endangered and critically endangered species; 2) threats (e.g., poaching) to each of these species; and, 3) the causes of habitat-modification identified in the preferred Option 2⁸ to assess its suitability;
- b. Conduct a socio-economic analysis of the factors that have contributed to encouraging farmers and community members to enter the Mount Patah Protection Forest Area, to determine whether compensation payment will result in long-term behavioral change, and thus contribute to a sustainable offset;
- c. Establish clear indicators and benchmarks to ensure the project will meet requirements for critical habitat species to achieve a net gain; and
- d. Establish a mechanism to ensure sufficient financing for managing the offset through the life of the project's impacts, and beyond the duration for which the developer remains liable.

Finding 3: The selected valued environmental components (VECs)⁹ and data for the cumulative-impact-assessment are not sufficient to support the conclusion of the project's ESIA that there will be no significant, cumulative impacts on endangered and critically endangered species. The project is not anticipated to lead to reductions in populations of endangered species to the extent that the persistence of a viable and representative host ecosystem is compromised.

Project-Specific Recommendations:

- a. Expand the cumulative-impact-assessment to include, at a minimum, the Sumatran tiger, the Malayan pangolin, and the Malayan tapir as VECs;
- b. Expand the scope of the cumulative impact-assessment to look beyond the impacts of similar geothermal developments to potential impacts from other relevant activities, such as road-building, agricultural expansion, and trade in or smuggling of wildlife;
- c. Develop avoidance and mitigation measures based on the results of the expanded cumulative-impact-assessment, and where necessary, engage third parties to support identified mitigation measures;

⁸ Option 2 is the management and rehabilitation of 290.0 hectares of modified forest within the Mount Patah Protection Forest Area with compensation to farmers, as the proposed offset measure to ensure no net loss and a net gain of biodiversity.

⁹ VECs are environmental attributes considered to be important in assessing risks; they can be species of animals or plants, or natural features.

- d. Explore the potential to manage the forest connection between *Bukit Barisan Selatan* National Park (BBSNP) and the Mount Patah Protection Forest Area to create ecological connectivity, protect the prey species for tigers, and provide a greater assurance that any corresponding gains in biodiversity will be sustainable; and
- e. Explore the potential to work with the Pertamina geothermal project to support an aggregated offset that would protect and enhance wildlife corridors between protected forests and BBSNP.

General Recommendations:

- a. The MDBs and other donors involved in supporting geothermal projects should consider providing technical assistance to develop a standard methodology for cumulative-impact assessments of the sector in Indonesia.

Finding 4: The Sumatran Ecosystem Roadmap does not address geothermal development.¹⁰ If not developed strategically, the construction of significant infrastructure could further fragment Sumatra's forests, and damage biodiversity and the integrity of the ecosystem in the wider landscape of the Tropical Rainforest Heritage of Sumatra.¹¹ It is crucial to integrate broader biodiversity-conservation and ecosystem-integrity considerations into the decision-making processes for spatial planning and individual geothermal development projects.

General Recommendations:

- a. Stakeholders involved in geothermal development in Indonesia should consider conducting a strategic environmental assessment of geothermal development in Sumatra to inform the prioritization and sequencing of projects, and to identify actions required to maintain biodiversity and the integrity of the ecosystem in the landscape while designing each specific project; and
- b. Incorporate the findings and recommendations of this strategic environmental assessment into the Sumatran Ecosystem Roadmap, and to inform the design and development of each specific project.

2. Republic of Uganda – Kampala-Jinja Expressway Public-Private Partnership (AfDB)

¹⁰ *Roadmap toward Rescuing The Ecosystem of Sumatra Vision of Sumatra for the Year 2020 (2010)*

¹¹ The Tropical Rainforest Heritage of Sumatra is a UNESCO World Heritage Site comprised of three national parks – *Gunung Leuser*, *Kerinci Seblat* and *Bukit Barisan Selatan*.

In July and August 2018, USAID visited Uganda as part of its pre-approval field review of the \$1.14 billion Kampala-Jinja Expressway public-private partnership (KJE PPP), to which the AFDB is proposing to contribute \$300 million.

USAID selected the project to review because of its potentially significant adverse environmental and social impacts, including large-scale physical and economic displacement; impacts to endangered species and wetland and forest habitat; and the recent history of gender-based violence (GBV), sexual exploitation and abuse (SEA), and child labor associated with a 2015 World Bank-funded road project implemented by the Uganda National Roads Authority (UNRA) – the same institution that will implement the KJE PPP.

Background

The Government of Uganda (GoU) has set forth Strategic Objectives in its 2008-2023 *National Transport Master Plan*, its 2016-2020 *National Development Plan*, and *Uganda Vision 2040*. The KJE PPP is a key priority to achieve the Strategic Objectives related to regional integration, socio-economic development, and investment in transportation infrastructure. As such, it is scheduled first among five expressways planned by the GoU.



UNRA served as implementing agency for the World Bank’s Uganda Transport Sector Development Project (TSDP). In September 2015, the World Bank Inspection Panel launched an investigation of the TSDP after community complaints about sexual misconduct and abuse by the contractor’s staff. One year later, the Panel concluded that the grievances were substantiated. The World Bank suspended funding for the TSDP in October 2015 because of contractual breaches related to these issues, and, by December of that year, cancelled funding for the TSDP. The World Bank suspended lending for components of two other UNRA-implemented projects – as well as funding for any new projects in Uganda – until it had developed a thorough action plan for implementation. As part of developing the Action Plan, the World Bank developed a “Note on Managing Impacts from Temporary Project-Induced Labor Influx,” and also convened a task force GBV, which released a separate action plan on how to mitigate GBV in infrastructure projects. Since then, the GoU has strengthened its focus on preventing GBV and restructured UNRA to better manage GBV and related social risks. The World Bank lifted the suspension of the two road projects and resumed lending in June 2017. If approved, the KJE PPP would be the first new MDB-funded road project implemented by UNRA since the cancellation of the World Bank project in 2015.

Overview of the Project

The KJE PPP envisions is a limited-access, tolled expressway in the Central and Eastern Regions of Uganda. Overall, the project consists of the Kampala-Jinja Expressway mainline from the capital city of Kampala to the town of Jinja and the Kampala Southern Bypass (KSB). The current proposed financing of \$300 million is for Phase I, comprised of the western 35-kilometer (km) section of the mainline (from Kampala to Namagunga) and the entire KSB. Future proposed financing is for Phase II, expected to cover the eastern 43-km section of the mainline (from Namagunga to Jinja).

The right-of-way (ROW) would be constructed parallel to, and to the south of, the existing A-109 highway between Kampala and Jinja. This road segment is the most-congested one in Uganda, infamous for long transit times, wasted fuel, and frequent traffic accidents. As part of the northern corridor of the Trans-Africa Highway—a trade route that provides sea access to Uganda, as well as to its landlocked neighbors Rwanda, Democratic Republic of the Congo, and South Sudan—such congestion has broad implications for transport efficiency and pollution.

To evaluate the project's environmental and social safeguard and mitigation measures, USAID held 35 stakeholder consultations along and near the proposed ROW. The team also visited the Mabira Central Forest Reserve, an important biodiversity reservoir that, while not in the ROW, could experience indirect and cumulative impacts from the project.

Findings and Recommendations

USAID is in the process of analyzing information obtained from the visit, and is continuing discussions with stakeholders. The Agency based its findings and recommendations on field observations; discussions with stakeholders; and documentation publicly available at the time of the site visit, or shortly afterward.

Our forthcoming findings and recommendations will focus on the following key themes:

- GBV, sexual exploitation and abuse (SEA), and child labor: To determine whether processes are in place to avoid and mitigate the risk of GBV, SEA, and child labor, and to ensure the meaningful participation of local civil-society organizations in representing community interests;
- Biodiversity offset: To evaluate the application of relevant safeguards and international best practices in planning for any biodiversity offset(s);
- Associated facilities: To determine whether the procedure described in the ESIA for the contractor to site, monitor, and decommission associated facilities (such as quarries, borrow pits, and disposal sites) is appropriate, actionable, and incorporates stakeholder input;
- Community Grievance-Management Committees: To evaluate the need for funding

and training to support current (*i.e.*, pre-construction) operations of project-established Community Grievance Management Committees;

- GoU capacity and coordination: To assess the capacity of the GoU National Environment Management Authority to critically review project ESIA, and to assess coordination among relevant GoU infrastructure and regulatory Ministries;
- Restoration of Livelihoods: To determine whether UNRA can effectively implement its plan to restore the livelihoods of vulnerable people without formal land titles within the processes described in the ESIA;
- Interim development plan: To determine the need for additional, immediate compensation or other support to vulnerable populations whose livelihoods have already been negatively affected by the announcement of the ROW; and
- Induced impacts: To determine whether the project sufficiently anticipates and addresses the potential for unplanned settlement and other development in proximity to the road—including increased pressure on natural habitats and endangered species, health services, *etc.*

Current Status

USAID will produce a trip report, and include a summary of its final findings and recommendations in its next report to Congress (April 2019).

3. Burma – Shwe Taung Group Cement Project (IFC)

In July 2017, the International Finance Corporation (IFC) approved financing for the expansion of an existing cement plant and limestone and mudstone quarries in the Mandalay Region of Burma, with the concurrent expansion of an associated coal mine in the Sagaing Region. Subsidiaries of the Shwe Taung Group, Limited (STG), own and operate all of the facilities.

The United States voted “no” on the project proposal, because of gaps in baseline data for rare and endangered species, as well as insufficient analysis and mitigation plans to address impacts to natural and critical habitat. Of specific concern was the lack of planning and resources dedicated to overcome capacity constraints for implementing a planned biodiversity offset.

USAID is focusing its review of the STG Cement Project on the planned biodiversity offset, and will visit the site in October 2018. The Agency will include its findings and recommendations in its next report to Congress, in April 2019.



Annex II - Potential Future Reviews

1. Republic of Guatemala – Road Infrastructure Development Program, pre-approval (IDB)

The IDB plans to support the Guatemalan Ministry of Communications, Infrastructure and Housing through its General Roads Directorate (DGC) to carry out the Road-Infrastructure Development Program. The operation would contribute to a critical expansion of road infrastructure to allow citizens to have better access to basic social services and consumer markets in three stretches in the Departments of San Marcos, Quetzaltenango, Totonicapan, Sololá, Suchitepéquez, and Retalhuleu in the country's Western Highlands. The program would: (i) reduce travel times; (ii) reduce the operating costs for vehicles; (iii) increase road safety through the construction, rehabilitation, reconfiguration and improvement of pavements and bridges; (iv) improve the sustainability of investments with maintenance programs; (v) support the development of the institutional capacity of the DGC; and, (vi) ensure the resilience of investments to climatic shocks.



The \$150 million project would primarily cover structures and road surfaces, with a small portion for studies, analysis and institutional strengthening.

The IDB characterizes project as “B” (medium-high risk with mitigations) under the bank’s Environment and Safeguards Compliance Policy. Environmental and social impact-assessments have been completed for each of the three proposed road segments. The possible negative impacts identified of most concern to USAID include the management of solid waste (moderate), indigenous peoples (minor), involuntary resettlement and/or economic displacement (minor to moderate), and the degradation of natural habitat.

2. Federal Democratic Republic of Nepal - South Asia Sub-regional Economic Cooperation Road Improvement Project, post-approval (ADB)

The objective of the Nepal Sub-Regional Economic Cooperation Road Improvement Project is to improve transport connectivity in Nepal, with a focus on providing faster and better access to social services and economic opportunities. The project’s roads are also integral to the international and regional road network system that connects Nepal to India, will facilitate closer trade-integration, and contribute to Nepal’s export competitiveness. In December 2016, the board of the ADB approved a \$186.80 million

loan to support the project. The United States supported the project at the ADB's Board.

USAID identified the project for possible review based on its potential cumulative and project-specific negative impacts to critical habitat for multiple endangered species in and around *Chitwan* National Park. The project's roads are also one of at least four linear developments in the area, all of which pass through sensitive biodiversity-conservation areas, including traversing some tiger corridors that allow the cats to move between Nepal and India.



3. Republic of Kenya – Malindi-Lunga Lunga Road, pre-approval (AfDB)

The AfDB is proposing \$300 million to support improvements to a 250-km segment of the Malindi-Lunga Lunga Road along Kenya's Southern Coast. This project represents the first phase of a larger (410-km) project to improve road transportation from Malindi, to the port town of Bagamoyo, 60-km north of Dar es Salaam, Tanzania.



The improved Malindi-Lunga Lunga Road is expected to facilitate domestic and cross-border trade and exports from the Port of Mombasa. The AfDB has not yet determined the project's risk category, nor published its ESIA.

USAID identified this project for potential future review because of some anticipated significant adverse environmental and social impacts from increased access to terrestrial and marine National Parks and a forest reserve, and because of increased access to cultural heritage sites, including medieval settlements. The AfDB expects to seek approval from its Board in the Fourth Quarter of 2018. However, extensive flooding in the project area in early Summer 2018 likely will delay the Board's consideration until 2019. As of July 2018, the project was under review by an environmental and social consultant commissioned by the Government of Kenya, to add elements that were missing from the original design, including major drainage structures, to account for recent and future flooding. The consultant's report is due to the Kenya National Highways Authority in Fall 2018. Thereafter, the AfDB plans to start appraisal of the project.

4. Kingdom of Bhutan – Second Green-Power Investment Program - *Nyera Amari* Hydropower Project, pre-approval (ADB)

The ADB proposes to invest approximately \$320 million to develop the *Nyera Amari* hydropower plant (HPP) in the Eastern Region of Bhutan. The project consists of two river-diversion projects (which would provide 125 MW and 315 MW of power, respectively) and transmission system facilities. It would support both domestic consumption of electricity in the Eastern Region and the export of power to India.

Bhutan is rapidly expanding its generation capacity through large hydropower. USAID identified the *Nyera Amari* HPP for possible review largely because of the project's contribution to potential cumulative adverse environmental and social impacts.

Possible project-level and cumulative adverse impacts include those on aquatic and riparian biodiversity from changes in environmental flow; on terrestrial biodiversity from associated roads and transmission lines; on livelihoods and living standards from economic displacement (including both upstream and downstream impacts); and on community health and safety and social cohesion an worker influx of workers and construction activities.



5. Kingdom of Bhutan – Second Green-Power Investment Program – *Nikachhu* Hydropower Project, post-approval (ADB)

In December 2014, the Board of the ADB approved \$120.5 million in a mix of loans and grants to support the 118-MW *Nikachhu* HPP. The estimated total cost of the project is \$198 million. The United States supported the project at the ADB's Board.

The project's development objectives are to supplement domestic power in East and Central Bhutan, and to export generated power to India during the Summer months. The project consists of a 33-meter-high dam with a 12-km headrace tunnel to the powerhouse.

USAID identified the *Nikachhu* HPP for possible review largely because of the project's potential contribution to cumulative adverse environmental



and social impacts (similar to those described in relation to the *Nyera Amari HPP*, see above). Further, the project is located adjacent to the *Jigme Singye Wangchuck National Park* and will temporarily occupy a small percentage of the eastern biological corridor that joins that park and *Wangchuck Centennial Park*.

6. Socialist Republic of Vietnam – Greater Mekong Subregion (GMS) Corridor Connectivity-Enhancement Project, pre-approval (ADB)

The GMS Corridor Connectivity-Enhancement Project aims to improve international and national transport connectivity of underdeveloped Provinces of Vietnam by improving accessibility to existing GMS road corridors that extend to the border with the Lao People’s Democratic Republic. The project would improve roads in difficult terrain (e.g., those that cross high mountains or large rivers) in four Provinces adjacent to existing GMS corridors that have high poverty rates and high concentrations of ethnic minorities.



USAID identified this project for possible review because of its potential for cross-border environmental and social impacts; a large amount of physical and economic displacement; and impacts on protected areas, associated biodiversity and indigenous peoples.